AT A SPECIAL JOINT BOARD OF SUPERVISORS/SCHOOL BOARD MEETING HELD AT GERMANNA'S DANIEL TECHNOLOGY CENTER, 18121 TECHNOLOGY DRIVE, ROOM 221 ON TUESDAY, JUNE 9, 2009.

***Board Members Present*:**	*William C. Chase, Jr., Chairman* *Larry W. Aylor, Vice-Chairman* (arrived at 11:23 a.m.) Sue D. Hansohn Steven E. Nixon Brad C. Rosenberger Tom S. Underwood Steven L. Walker
***Staff Present*:**	Frank T. Bossio, County Administrator Sheila Farmer-Dumas, Director of Risk Management Chasity Croson, Director of Human Resources Valerie Lamb, Director of Finance Todd Frazier, Representing EAC Donna Foster, Deputy Clerk Karrie Hill, Assistant to the Deputy Clerk
School Board Present:	George Dasher, Chairman Elizabeth Hutchins James C. Lee Anne Luckinbill Leanne Jenkins (arrived at 11:32 a.m.)
Staff Present:	Dr. Larry Carter, Acting Superintendant Angela Flowers, Human Resources Star Rowe, Human Resources Lauren Thomas, Budget Analyst
Other:	Teresa Newberry, Human Services Theresa Settle, Representing Constitutional Offices

CALL TO ORDER

The meeting was called to order at 11:11 a.m. by Mr. Chase, Chairman of the Board of Supervisors and Mr. Dasher, Chairman of the Culpeper School Board.

APPROVAL OF AGENDA - ADDITIONS AND/OR DELETIONS

Mr. Underwood moved, seconded by Mr. Nixon, to approve the agenda as published.

Mr. Chase called for voice vote.

Ayes – Aylor, Chase, Hansohn, Nixon, Rosenberger, Underwood, Walker

Motion carried 7 to 0.

2-8

UNFINISHED COUNTY BUSINESS

PRESENTATIONS REGARDING HEALTH INSURANCE PLAN DESIGN OPTIONS FOR CONTRACT YEAR OCTOBER 1, 2009 THROUGH SEPTEMBER 30, 2010:

ANTHEM

Mr. Jim McKeon, Director Large Local Sales, introduced Jeff Hartman, Senior Account Manager, Brenda Rippey, Senior Account Representative and Pamela Lumpkin, Underwriting Consultant.

Mr. McKeon stated Anthem would present a number of scenarios and alternatives to the County and School based on their meetings over the past four months and Anthem's review of the County and School's claim experience over the past year. He noted an HMO was implemented last year by the County and School which received good enrolment and he believed with a few more months of claims experience to be reviewed the County and Schools should see their claims trending down.

Mr. Jeff Hartman advised he would review the renewal, how the County and School's claim affected the County's most recent projections and discuss options for plan designs. Mr. Hartman noted Anthem's renewal projection starting October 1, 2009 would include a 22 percent increase for the current health care plan, which was based on the underwriter's review of the last 12 months of claims filed by County and School employees. He explained the 22 percent increase included a 12 percent adjustment for inflation over the next contract year.

Mr. Aylor arrived at 11:23 a.m.

Mr. Nixon asked how Anthem derived the estimated 12 percent increase for inflation.

Mr. Hartman explained it came from Anthem's Book of Business, and although the County's trend from the last 12 months of claims would be higher than 12 percent, Anthem chose to use their Book of Business value.

Mr. Hartman advised the County and School's claims had decreased in the past two months and Anthem would be willing to provide another renewal price in July with the hopes of projecting an increase less than 22 percent. He noted the 22 percent increase was the cost for the County and School to keep its current benefits and he not recommend they keep the same benefits.

Ms. Leanne Jenkins arrived at 11:32 a.m.

Mr. Hartman presented three renewal options:

1. Self-funded option where the County and Schools took all the risk. Anthem projected

the County and Schools claims to be $10.3 million for next year and Anthem would reinsure the County and Schools at 115 percent aggregate claims experience where there would be no liability past the 115 percent, but Anthem's fees and charges would still have to be paid. He indicated this would begin as a new contract on October 1, 2009, which offered an initial cash flow break due to claim lag, but on the maturity date there would the need to budget more money than the first year.

Mr. Nixon asked if Anthem would honor all claims filed under the fully-insured policy once the new self-funded policy started. Mr. Hartman explained all claims filed before the fully-insured policy was cancelled on September 30, 2009 would be honored even if paid after the cancellation date.

Mr. Underwood stated the self-insured plan would save the County approximately $550,000, but the risk would be approximately $1.5 million because of the 15 percent above the estimated $10.3 million is claims costs. Mr. Hartman confirmed this to be the case.

Mr. Nixon asked if the $10.3 million projection included the 12 percent inflation increase and what benefit structure the plan included. Mr. Hartman advised it did include the 12 percent increase and was based on the same plan currently provided by the County and Schools being a PPO, HMO and HSA.

Mr. Lee asked what the statutory requirements were for localities for self-insured plans with regards to bond rates. Mr. Hartman stated he did not believe there were statutory requirements but he would have to look into it. Mr. McKeon indicated there were some requirements for reserves but it depended on the size of the group.

Mr. Lee asked how the process of payments worked from reserves to Anthem. Mr. Hartman stated there were various options, such as, a yearly bill by Anthem to the County and Schools and then settling the difference at the end of the year, having Anthem calculate a pre-determined amount that would be wired to Anthem every month and the difference is settled at the end of every, or a weekly billing option which he did not recommend. He stated it depended on the amount of cash flow flexibility the County and School desired.

Mr. Hartman advised stop loss coverage was built into the self-funded plan in the amount of $125,000 per individual in addition to the 115 percent aggregate claims experience and these were calculated every month. Any claims over $125,000 or aggregate claims over 115 percent were written off by Anthem.

2. Full HMO Replacement. Mr. Hartman noted this option eliminated the KeyCare option and moved everyone to HMO Product 15 with a $10/30/50 or 20% with $150 deductible drug

card and explained Anthem projected a 3 percent increase in premiums with this plan.

3. PPO/HMO/HSA. Mr. Hartman explained this converted KeyCare200 to KeyCare 500 with the same drug card above and offered HMO Product 15 and noted this option has an 8 percent increase in premiums. He stated it included the Lumenos consumer health driven plan, but stressed if the County and Schools were looking to go more in that direction with health care it would require education to the employees and asked they be given the opportunity to work with the County and Schools to be sure they were getting the best discounts, networks and access to providers with that plan.

nHEALTH

Paul Kitchen, President and CEO, spoke briefly about his insurance experience and stated health insurance cost increases were driven by consumption and rising pharmaceutical costs rather than claims. He felt consumer driven health care plans provided for more appropriate use of the health care system.

Mr. Jim Slabaugh, Marketing Director, presented three HSA plans based on the 24 percent increase ($10.3 million) in premiums, originally projected by Anthem for the County and Schools: 1. 1500/2500; 2. 1500/3000 and 3. 2500/2500.

Mr. Slabaugh used the first plan as the example and explained $1500 was the deductible for a single employee and $2500 was the deductible for a family, per family member. He noted after a single user reached the $1500 deductible the remaining costs were paid by the insurance company which included, hospital, in and out patient, x-rays, labs and drugs, but did not included professional physician fees which there was a $5000 deductible.

Mr. Nixon asked what the $5000 professional fee meant. Mr. Slabaugh explained the individual would have to pay the first $5000 in professional fees and then all costs after that would be paid by the insurance company.

Mr. Slabaugh noted by removing the professional fees component nHealth was able to free up 30 percent ($3.2 million) of the County and School's premium ($7 million in premiums). He stated this allowed for the $3.2 million in savings to be used in other ways, such as, providing each employee with $1800 ($2 million total) over a 12 month period to put into their HSA account. He noted would provided some employees with almost 100 percent health care coverage and still provide a savings of $1 million to the County and School.

He stressed the County and Schools could see a saving every year if they changed the way their employees thought about health care and still be able to provide money to each employee for their HSA accounts, which was pre-tax dollars.

Mr. Nixon asked how nHealth was able to pay the overage claims after the employees out-of-pocket expenses. Mr. Slabaugh explained the County and School's would be paying $7 million in premiums, after the 30 percent savings it saw from the removal of the professional fees component, and that money went to pay the overage claims.

Mr. Slabaugh briefly reviewed the three plans and noted the most common plan was the $2500 deductible for individual and $2500 deductible for family and reiterated the family plan was per individual. He indicated on this plan the County would have a savings over $1 million and put up to $2400 in each employees HSA account which could be done via lump sum or prorated over 12 months.

Mr. Slabaugh advised an option for the County and School could be to take the $1 million in savings and provide a preventative health care account that nHealth would administer if they were concerned their employees would not seek preventative health care. This allowed for claims that were submitted as preventative health care expenses to be paid directly out of the County's preventative health care account rather than the HSA account of the employee.

Ms. Jenkins asked if over the counter preventative medicine could be paid from the employees HSA accounts. Mr. Kitchen noted if the County and Schools added the preventative health care account it would be paid from that but if that was not in place, items such as Advil and Tums, could be paid from the HSA accounts.

Mr. Walker asked what happened to the money put into employees HSA account by the County if the employee did not use the funds. Mr. Slabaugh explained it was the employee's money and it rolled over each year. He further indicated the employee could contribute to the account up to a certain amount each year and the monies could be used as an IRA account at the age of 65.

Mrs. Valerie Lamb, Finance Director, clarified the HSA account was not the same as the flexible spending account the County currently had where the money was lost at the end of each year if not used by the employee.

Ms. Jenkins asked what happened if the employees needed the money in the HSA account for purposes other than health care. Mr. Slabaugh explained it could be removed but there was a penalty and taxed similar to an IRA being used early.

Mr. Underwood asked what bank nHealth's accounts were with and who controlled the investments. Mr. Slabaugh advised the accounts were with Fulton Bank. Mr. Kitchen explained the accounts were similar to checking accounts with interest and as the funds increased you could invest them in mutual funds or other investments.

Mr. Nixon asked how nHealth would handle an increase of 12 percent the following year, as projected by Anthem, and claims did not decrease, as projected by nHealth. Mr. Kitchen stated it was proven that claims decreased with consumer driven accounts because people became more thoughtful about their use of the health care and if there was increase it would be minimal.

Mr. Bossio asked nHealth to explain what would happen if an individual went out of network. Mr. Kitchen explained there was a differential for going out of network but not as punishing with nHealth as other providers. He noted nHealth had many of hospitals and doctors in their network from the area and were adding more every day.

Mr. Walker asked what the definition of doctor was under the $5000 professional fee and asked if it included regular doctors' visits. Mr. Kitchen advised it was doctors and anesthesiologists at the hospital for surgeries and did not include regular doctors' visits. He indicated there were options to the $5000 professional fee deductible the County and Schools could review, such as capping the amount lower for certain employees.

MARK III

Mr. Mark Browder introduced himself and Mr. Drew Katabian, Sales Associate, to the Boards. Mr. Browder explained Mark III had a great deal of experience with public sector clients and their role was to aid the County and School Board to better understand the options provided to them by Anthem and nHealth.

Mr. Browder indicated he reviewed the County and School's claims over the past 12 months and it showed a needed increase of 27 percent and he felt Anthem's proposed increase of 22 percent put the County in a good position, but he understood the County could not afford such an increase.

Mr. Browder indicated Anthem's self-funded option with 115 percent stop loss coverage was very competitive since he typically saw 125 percent, but he stressed the County and Schools should not budget for the first year of savings this option offered, but for the maturity level in October 2010 so they would not be left in a bind come next year's budget.

Mr. Browder provided a brief overview of the County and School's health care participation noting a good increase in participation with the HMO, but no participation in the HSA which he contributed to the out-of-pocket expense to the employees and because the County was not putting any money towards the HSA, which were both deterrents.

He indicated Anthem's PPO product was problematic in that it did not have any HSA option for employees, but felt the HMO/PPO option presented was a good option, but still did not have a viable HSA option. He explained the $1000 deductibles in Anthem's options were the norm and what he recommended to clients. He also recommended the County and Schools provide for a $500 contribution to employees HSA accounts as an incentive.

Mr. Browder explained the claims renewal provided by Anthem was accurate, but maintaining the current benefits provided by the County and Schools to their employees was not a financial option and a solution would be to improve HSA options for employees. He stated he did not feel nHealth provided a sufficient network for the County and Schools and did not advise moving completely to an HSA health care system but the County and School needed to move more in that direction for the future.

Mr. Nixon asked if the benefit design of an HSA was really the same as a PPO. Mr. Browder indicated the way employees functioned within HSA plans was very different than in PPO plans. He noted the biggest challenge for HSA plans was pharmaceutical costs, otherwise they could be just as beneficial for the right users.

Mr. Nixon stated his concern with the HSA plan was the ability for employees to get the money up in their account in order to be able to afford the higher deductible. Mr. Browder agreed but felt it still needed to be offered to employees as an option, not a replacement.

PRESENTATION REGARDING IMPLEMENTING MARK III A VOLUNTARY SUPPLEMENTAL MEDICAL PROGRAM PROVIDER

Mr. Mark Browder of Mark III advised the company was the largest public sector broker in the Southeast and the company's goal was to shop the market place for the best insurance products in order for the customer to make an informed decision. Mark III would shop the various insurance plans, assist with renewals, provide evaluations, monitor the plan, employee education and provide ongoing service and administration.

Mr. Nixon asked what the cost of the service would be to the County. Mr. Browder stated it was $15,000 a year, not including commissions.

Mr. Paul Ward, Maloney and Ward Insurance, asked the County and School Board to consider getting quotes from his firm and other local firms in the Culpeper area before making a decision to go forward since the local firms were in the County and cared about the County's interests. He also expressed that he did not see many other insurance companies present to offer their plans and felt it was important when the County was looking at a 22 percent increase in health insurance costs.

Mr. Underwood felt the two bodies needed to come together and discuss what direction they would like to proceed with regards to the various type of health care plans and at that point hear from as many providers as possible and have a plan that would provide incentives to get the County and School Board closer to an HSA plan. Mr. Underwood suggested staffs obtain input from the boards regarding the insurance bids.

Mr. Bossio noted the meeting was held to discuss the current health care issues in the County, possible solutions and what to do with ancillary benefits and was not meant to be exclusive to any one company.

Mr. Nixon stated local companies should participate in the bidding process and the County and School Board would have to first decide if they wanted to move forward together then discuss the various health care plans and whether they would hire a consultant.

Ms. Croson noted she followed the Procurement Act when making a decision regarding consultants and noted she had contacted local companies to obtain some preliminary costs.

ADJOURNMENT

Mr. Lee moved, seconded by Mr. Underwood, to adjourn the meeting at 1:23 p.m.

Donna B. Foster, MMC
Deputy Clerk

William C. Chase, Jr., Chairman

ATTEST:

Frank T. Bossio
Clerk to the Board